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April 15, 1998

By Telecopy & First Class Mail

Jonathan Levin, Esq.
Senior Attorney
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

AOR 1999-08
Supplement / Comment

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Re: Comments on Draft Advisory Opinion 1999-8
and Request for Clarification – Citizens for Arlen Specter

Dear Mr. Levin:

Following up on our telephone conversation yesterday, this is to confirm that the management fees and operating expenses incurred by the investment funds affiliated with the Vanguard Group are paid from a fund's investment returns. Accordingly, from the perspective of fund shareholders, the operating expenses of a fund are incurred on a pre-income basis. For example, assume that a Vanguard affiliated fund earns an annual gross return on its investments of 10%, while maintaining an average annual expense ratio of 0.33% of assets. Under this hypothetical, the fund shareholders would experience an annual net return of 9.67% of their investments.¹

Accordingly, as set forth in our prior correspondence, shareholders of funds affiliated with the Vanguard Group do not pay the operating expenses of the fund. Rather, such expenses are deducted from the fund's gross returns before calculating the net investment return to individual shareholders, and are thus reflected only in the share price. Thus, the Committee will not incur any direct expenses in connection with its investments in the Vanguard Group funds.

¹. The Vanguard Group, which is owned by the affiliated funds, provides management, administrative, and marketing services to the funds on an "at cost" basis.

Please do not hesitate to contact me if you need any additional information or have any further questions.

Very truly yours,



Thomas E. Groshens

cc: Stephen J. Harmelin, Esq.
Richard Stevens (by telecopy)